

**PUBLIC DISCLOSURE**

JANUARY 23, 2007

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**HAVERHILL MUNICIPAL EMPLOYEES CREDIT UNION**

4 SUMMER STREET  
HAVERHILL, MA 01830

DIVISION OF BANKS  
ONE SOUTH STATION  
BOSTON, MA 02110

<p><b>NOTE:</b> This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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## GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Division of Banks ("Division") to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **Haverhill Municipal Employees Credit Union (or the "Credit Union")** prepared by the Division, the institution's supervisory agency, as of **January 23, 2007**. The Division evaluates performance in the assessment area(s), as they are defined by the institution, rather than individual branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00.

### **INSTITUTION'S CRA RATING: This institution is rated "Satisfactory"**

The assessment of Haverhill Municipal Employees Credit Union's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates.

According to CRA regulations, an institution shall delineate one or more assessment areas by which the institution will serve to meet the credit needs of that assessment area and by which the Division will evaluate the institution's CRA performance. Credit unions whose membership by-laws provisions are not based upon residence are permitted to designate their membership as their assessment area. The Credit Union has defined its membership as its assessment area, as opposed to a geographic area. Therefore, an evaluation of credit extended within defined geographic areas was not conducted; as such an analysis would not be meaningful. This evaluation was based upon an analysis of the Credit Union's performance in providing loans to its membership; providing loans to individuals of various incomes, including low to moderate-income members; and the Credit Union's fair lending performance.

Shares from the membership are returned to members in the form of consumer installment loans and home equity loans. Loan-to-share ratios are at a satisfactory level for an institution of its size and capacity. The distribution of loans to borrowers of different income levels is considered reasonable and is representative of the membership.

The Review of Complaints and Fair Lending section indicates that the Credit Union has made reasonable efforts in attracting all applicants within its membership.

## **PERFORMANCE CONTEXT**

### **Description of Institution**

Haverhill Municipal Employee Credit Union is a state chartered financial institution serving the employees and former employees of the City of Haverhill and employees and former employees of the Central Northern Essex Division of the Trial Court of the Commonwealth composed of such employees and their families and to those persons in good standing with the Credit Union. As of December 31, 2006, the institution had total assets of \$4,813,649.

The Credit Union originates home equity mortgage loans, unsecured personal loans, and new and used automobile loans. The Credit Union's rates, and terms and conditions are competitive with other credit unions of similar size and type.

The Credit Union has one office located at 4 Summer Street in Haverhill, Massachusetts. Office hours are from 9:00 am to 4:00 pm, Monday, Tuesday, Thursday and Friday. The Credit Union is closed on Wednesdays.

As of December 31, 2006, the Credit Union's loan portfolio totaled \$3,352,738, or 69.7 percent of the Credit Union's total assets. The largest portion of the loan portfolio is comprised of second mortgage loans with 41.5 percent of total loans outstanding, followed by used vehicle loans with 22.8 percent, unsecured personal loans with 21.5 percent, new vehicle loans with 10.0 percent, and all other loans with 4.2 percent.

The Division of Banks last examined the Credit Union for compliance with the CRA on December 6, 1998. That examination resulted in a CRA rating of "Satisfactory". The Division conducted a visitation for CRA on September 4, 2001.

### **Description of Assessment Area**

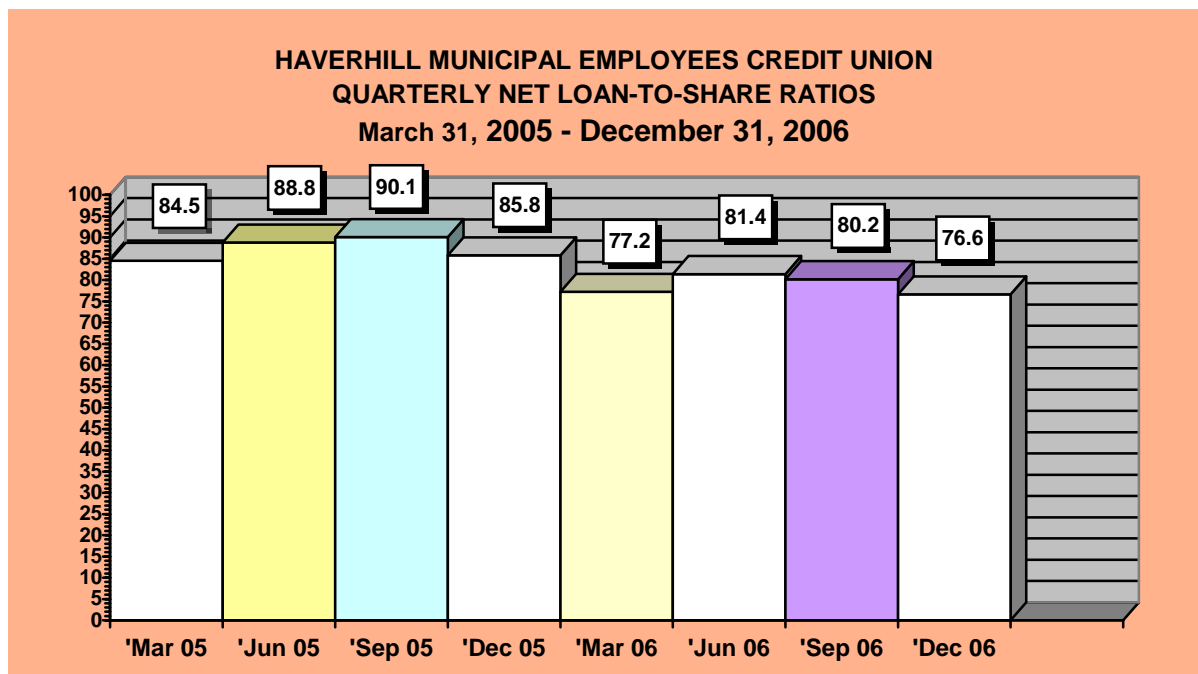
In accordance with the requirements of 209 CMR 46.41, the Credit Union defines its membership as its assessment area. According to the Credit Union's bylaws membership "...is limited to those people who are 'employees' or 'former employees' of the City of Haverhill and 'employees' or 'former employees' of the Central Northern Essex Division of the Trial Court of the Commonwealth, employees of Haverhill Municipal Employees Credit Union, the Greater Haverhill area and members of their families. Former employees of healthcare facilities and municipalities within the Greater Haverhill area are also eligible for membership." For the purposes of the By-Laws of the Haverhill Municipal Employees Credit Union, the Greater Haverhill area includes the communities of Haverhill, Groveland, Merrimac, West Newbury, Amesbury, Newburyport, Georgetown, Methuen, Lawrence, Andover, and North Andover. Families include spouse, mother, father, children, siblings, and significant others residing in the same household. Persons who are listed on joint accounts with members of the Credit Union as stated above shall also be deemed to be members of this Credit Union.

## **PERFORMANCE CRITERIA**

### **1. LOAN TO SHARE ANALYSIS**

Based upon the Credit Union's asset size, its capacity to lend, and the credit needs of the membership, the analysis of the Credit Union's net loan-to-share ratio indicates that the Credit Union meets the standards for satisfactory performance.

An analysis of the Credit Union's net loan-to-share ("LTS") ratio was performed using National Credit Union Administration quarterly call report data for the period ending March 31, 2005 through December 31, 2006. The analysis was conducted to determine the extent of the Credit Union's lending compared to shares received from its membership. The average net LTS for the period reviewed was 83.1 percent. As illustrated in the chart below, the Credit Union's ratios have fluctuated from a high of 90.1 percent in September 2005 to a low of 76.6 percent in December 2006.



Based on the preceding information, the Credit Union's performance level is considered reasonable.

## **PERFORMANCE CRITERIA (CONTINUED)**

### **2. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS**

The Credit Union's lending, based upon the analysis of consumer loans by borrower income, meets the standards for satisfactory performance in providing credit to members of all income levels.

A sample of the Credit Union's consumer loan data for calendar year 2005 and 2006 was analyzed in order to determine the distribution of credit based upon the income level of borrowers. The loan sample consisted of unsecured personal loans, new and used automobile loans, and home equity loans. The borrower income analysis was based on the median family incomes for the Essex County MA metropolitan Division ("MD") for 2005 and 2006 which was \$76,700 and \$78,200, respectively.

The four income categories that define the income level of borrowers include low, moderate, middle and upper-income. The analysis of borrower income level was identified as the ratio of borrower income to the Median Family Income for the Metropolitan Statistical Area ("MSA") or MD.

As defined by the U.S. Department of Housing and Urban Development, Low-income is defined as income level or area that earns less than 50 percent of the MSA's median family income. Moderate-income is defined as income level or area that earns 50 percent to less than 80 percent of the MSA's median family income. Middle-income is defined as income level or area that earns 80 percent to less than 120 percent of the MSA's median family income, while Upper-income is defined as income level that is equal to or greater than 120 percent of the MSA's median family income.

A review of thirty loan files from 2005 and 2006 was conducted to determine the borrower's income level. Of the thirty files reviewed, 10 or 33.3 percent were granted to low-income members; 12 or 40.0 percent were granted to moderate-income members; 5 or 16.7 percent were granted to middle-income members; and 3 or 10.0 percent were granted to upper-income members.

Based upon the analysis of borrower income, the Credit Union demonstrates a satisfactory level of performance in providing loans to borrowers of different incomes.

### **3. REVIEW OF COMPLAINTS AND FAIR LENDING POLICIES AND PRACTICES**

Based upon the review of the Credit Union's performance relative to fair lending policies and practices, the institution meets the standards for satisfactory performance.

#### ***Review of Complaints***

There was no indication that the Credit Union received any complaints pertaining to its CRA performance since the previous examination. If such complaints or comments are received, however, management is encouraged to record the date of these correspondences.

## **PERFORMANCE CRITERIA (CONTINUED)**

### ***Fair Lending Policies and Practices***

The Credit Union's fair lending policies and practices are considered satisfactory. No practices that would result in disparate treatment were noted.

# PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at 4 Summer Street, Haverhill, MA 01830."

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.